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Borrow or Pay Out of Pocket?

Posted by Pierluigi Oliverio on Monday, May 09, 2011

The Council last week made the second SERAF payment to the state. SERAF is where the State raided all RDA coffers in California—again—in our case taking $75 million from San Jose.

The state allows payment of the SERAF to come from the housing department if a city chooses to do so. This second payment of $13 million is due this week so Council had to decide to pay or perhaps not pay or even to cease RDA operations. I have advocated paying the state with housing department funds.

What was decided, however, was to issue commercial paper to replenish the housing department as a way to finance the payment. Yet there is more than $13 million on hand in the housing department that would not require borrowing.

Ultimately the general fund is at stake for commercial paper, in the same way that the general fund is on the hook for the Hayes Mansion and golf courses.

I voted no, since I felt "Why borrow when you have cash in your pocket?" We do not get "miles" or some other reward for borrowing.

I understand that we would not be able to continue with two more affordable housing projects if we did not borrow, but felt that was OK since neither project will be paying property tax to pay for city services. I could contemplate borrowing if we were going to get something like road repair but in making a payment to the state I would rather just pay it and be done with it.

RDA was not meant to last forever but the recent settlement with the County of Santa Clara, which included the old city hall and was approved in closed session, makes closing the RDA even more complicated.

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